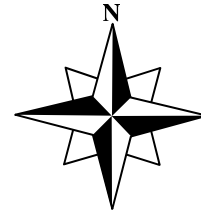


LOCAL OPTION CAPITAL ASSET LENDING PROGRAM ("LOCAL")



November 30, 1999

News and Views



MICHAEL J. MURPHY
Washington State Treasurer

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ALLAN J. MARTIN
LOCAL Manager

LOCAL Video Produced

**You've read the book.....now
see the movie!**

The Local Option Capital Asset Lending (LOCAL) program recently produced a video, that tells the story of King County Fire Protection District No. 50 financing their new Ambulance and Aid Car. Taped on location in Skykomish. The Video "Premiered" at the Washington Finance Office Association Annual Conference held in Yakima, and received many favorable comments.

Olympia and Chehalis district commissioners and staff explain in their own words the workings of the LOCAL program. The building of the

**Financing Local Government
Equipment Needs . . .**



Michael J. Murphy
Washington State Treasurer

ambulance is shown at the Braun Ambulance Company facility. Members of the King County Finance Department outline the involvement of the finance department. Treasurer Murphy, along with Treasurer Staff, works the transaction through the process in the Treasurers Office.

The video is available to you and your board of commissioner to explain the Program. We have worked hard to include everything we learned from our financing, and to answer as many questions as possible. This is another LOCAL program tool that will provide a comfort level for those contemplating using the program. It is a good starting point for those looking at the various financing options.

The video has been provided to County Treasurers to share with their various districts. Videos for cities and others are available upon request from the LOCAL program. If you would like to view the tape please contact us, and it will be sent to you promptly.

The seven-minute video was professionally produced and we think that you will find it educational. Special thanks to all who participated in making the video. We welcome you to "Check it out!"

Mike Clarey



LOCAL Program Accounting Specialist

LOCAL program participant submits article

Wayne Sealock of the Kennewick School District submitted the following article to the LOCAL program. The Kennewick School District was able to take advantage of the low interest rates offered by the LOCAL program in order to make needed improvements in their Heating, Ventilation and Air Conditioning system.

Students breathing easier

Students and Staff at Desert Hills Middle School, Kennewick Washington, are breathing easier after the installation of their new Heating, ventilation and air-conditioning (HVAC) system.

The District financed the project with a combination of capital project funds and a **low interest loan from the Washington State LOCAL program.**

The previous HVAC system, installed in 1977, was inefficient and fell short of modern standards for moving air into the classrooms. The original system was designed to bring 5 cubic feet per minute of fresh air per occupant, whereas today's standard is 15 cubic feet per minute per occupant.

The project installed 63 roof-mounted gas-heated HVAC units, enhanced the facility fire alarm system, demolished the old HVAC system, and installed direct digital control and monitoring system. In addition to classroom monitoring, CO2 monitoring of gymnasium and commons area provide the ability to recognize when large crowds are present allowing the system to move fresh outside air into the building. The district will be able to save enough on power bills to repay the LOCAL loan.

The close teamwork by everyone involved is what made the project possible.

Svein Braseth



Finance Officer

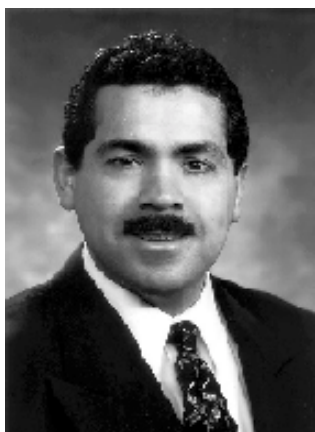
Svein's Biographical Information

Svein Braseth has been working for the State of Washington in various capacities since 1991. Svein joined the Office of the State Treasurer in 1994 as a finance officer. His responsibilities include analytical support to the Office of the State Treasurer and the State Finance Committee. He is also responsible for the Debt Management budget and the information system requirements.

Svein, who grew up in Norway, received his MBA in Finance from Idaho State University. He also received a BBA in Finance and a BBA in Management from Idaho State University.

Svein also holds a degree in agronomy and was awarded the Nobel Peace Prize in 1988 along with other members of the United Nation Interim PeaceKeeping Force in Lebanon (UNIFIL).

Svein and his wife Kellie, live in Olympia with their two young daughters.



Martin Reynoso
LOCAL Program Specialist

How the LOCAL Program Helps Smaller Districts:

Smaller local governments are called upon to carry out many of the same activities that larger governments carry out. However, because smaller local governments only perform certain activities infrequently, they may not have the opportunity to develop the same level of expertise that larger organizations are able to develop. Two areas in which this variance in experience levels may occur are in equipment financing and equipment procurement. The LOCAL program is allowing local governments to realize efficiencies in these two areas that have been previously available only to larger organizations.

Equipment Financing

The LOCAL program allows local governments to benefit from the experience gained from issuing over \$675 million of certificates of participation in over 135 separate

issues. By working together, smaller local governments are able to access the low tax-exempt interest rates that were once available only to larger

governmental organizations. In fact, it would be difficult for any single local government, regardless of size, to be able to finance equipment at lower rates than those available through the LOCAL program. The LOCAL program provides local governments with access to the capital markets, which can deliver the lowest interest rates for their equipment financing needs. Issuance of COPs is done on a competitive bid basis resulting in additional savings.

Economies of Scale mean that everyone that participates benefits from issuing debt collectively. In this way each additional dollar borrowed decreases the fixed cost of financing per transaction. This means that all local governments and state agencies that participate in the issuance of COPs benefit from the lower cost financing made possible through collective action.

Each transaction is structured to allocate the fixed costs to each local government transaction equally. This means that smaller local governments are now able to achieve the same financing efficiencies once only available to larger borrowers. As an example, a \$10,000 financing receives the same low interest rate that a \$1,000,000 transaction receives. This allows smaller local governments to receive a competitive tax-exempt interest rate for a transaction that might not have elicited much attention from other financing sources.

Equipment Procurement

Having served as Thurston County Treasurer for ten years, State Treasurer Michael J. Murphy has seen

that it can be very difficult for smaller local governments to gain the same expertise in equipment acquisition that larger local governments are able to obtain. This is simply due to the fact that smaller local governments do not

purchase equipment as frequently as larger local governments do.

Because of this, larger local governments are able to become more expert in the acquisition process. Often times, because of their size, smaller local government may purchase certain types of equipment very infrequently, making it more difficult for them to become experts in the acquisition of that equipment. The State Treasurer's Office encourages smaller local governments to become involved and share information with each other so that all may benefit from the experience that each has gained individually.

The LOCAL program web page allows local government staff to identify other local governments that have purchased similar types of equipment. It is hoped that this might facilitate the exchange of information between local governments that will allow each to benefit from the experience of peer group members gained during the acquisition of equipment. This may include information regarding the quality of the equipment and service various vendors have provided, as well as their experience financing via the LOCAL program or other financing programs. By sharing information, each local government will become more knowledgeable and will be able to run its operations more efficiently. For a list of all previous LOCAL program transactions, please see our web-site designed for this purpose at: www.wa.gov/tre/localpar.htm



Susan C. Melvin
LOCAL Program Specialist

Disclosure

The State Treasurer needs to include information about an agency in offering documents if the agency's issue is a significant portion of the COP issue. We have determined that a significant portion is 20% or more of any one maturity/payment. We will not know if you have to disclose until a couple of days after the cut-off for submitting documents. At that time we calculate an estimated debt service for every lease in the issue to evaluate whether the combined leases submitted for an agency is over 20% of any debt services payment.

If your agency has to disclose, what does this mean to you? Much of the information we need for completing disclosure is included in the Credit application, so if you have filled that out, you are most of the way there.

Items that we need that are included on the credit forms, financial history

Bi-Monthly Financing Dates

Cutoff	Approx. Funding
January 10	February 15
March 10	April 15
May 10	June 15
July 10	August 15
September 10	October 15
November 10	December 15

(income statement) for last five years, assessed value for last five years, outstanding debt, Year 2000 readiness, insurance coverage and population of the district. Items needed for disclosure that are not included in the credit forms are top ten taxpayers for the district, information on overlapping debt, collection history for property taxes for the last five years.

We will work with you and the county treasurer and auditor to get this information. We have chosen to not ask for all this information until we have established our significant issuers. The downside to this is that if we do need to get this information from a district our turn around time from the time we ask for it until we need it is only one week.

If a district is required to disclose they will also have to sign an agreement to

continue to provide disclosure information to prospective investors on request and to the SID for the life of the COP. If a district or agency has issued a recent bond they will already have a continuing disclosure obligation. If a district already has an obligation to provide this information we will draft our continuing disclosure agreement to match your current agreement. If this is the first time that you would be required to provide continuing disclosure we have you sign an agreement to provide any publicly available financial statements to prospective investors on request and the SID annually. You would also be required to provide information on material events that could effect the districts ability to pay their debt obligation to the Office of the State Treasurer.